

## THE HISTORY CORNER

### *The Impact of the*

### *"New" IRS Definition of "Charity"*

The decline in Conference financial support for Frasier took place about the same time that IRS action in redefining a charity for federal income tax purposes was creating a quiet revolution in retirement home affairs. In years past a charity was defined as a non-compensated service which included homes for the aged financed primarily by donations and organized by religious and fraternal bodies. In 1972, in its attempt to re-identify charitable donations for income tax purposes the IRS changed the practice to include elderly services for which a fee was charged.

This extended the beneficiaries of services far beyond the poor to include any income level and it transformed what became known as CCRCs from being non-compensated providers into fee for service institutions. So just at the time that the Conference was making clear that it could not support Frasier as a traditional charity, the IRS was making it possible for Frasier to continue its program by enabling it to depend heavily on customer fees for its services and becoming primarily a commercial service institution.

While Frasier had traditionally identified itself as a charitable institution it had, in effect, gradually taken on the new IRS meaning of "charity" to include a fee for service institution. And it was to remain so, serving in the future as an upscale institution providing only a very small amount of "non-compensation" service to low-income beneficiaries.

Frasier, it should be emphasized, was only following the trend taking place in retirement communities throughout the country as they changed from traditional charitable activities to rapidly evolving fee-for-service institutions.

*Sam Hays*